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President Bush and Democrats showed optimism Friday that the White House and lawmakers will complete a rescue plan for the nation's battered financial markets as House Republicans headed back to the negotiating table and lawmakers said they'll put off a scheduled recess to complete work on the \$700 billion package.

"We are going to get a package passed," Bush said in a short statement at the White House. He said House Republicans who are seeking a different version of the plan have a right to be heard, but he stressed that there is "no disagreement that something substantial needs to be done."

"We need a rescue plan," Bush said. "We've got a big problem."

On Capitol Hill, Senate Majority Leader Harry Reid, who controls the chamber's schedule, said he's prepared to extend the Senate's schedule past its current Friday adjournment date.

"We're going to get this done and stay in session as long as it takes to get it done," he said. He expressed optimism the deal can be approved by Monday.

The statements from Congress and the White House come as efforts to reach a consensus on legislation for the rescue of credit markets appeared to be collapsing earlier Friday -- hard on the heels of the largest bank failure in U.S. history.

In rapid succession Thursday afternoon and Friday morning, a high-stakes White House meeting to achieve political consensus on a bailout plan ended in failure; House Republicans presented an alternative bailout plan; Washington Mutual was seized by federal regulators and sold to J.P. Morgan Chase and U.S. politicians fell to public squabbling and finger pointing.

Republican plan

House Republican Leader John Boehner is urging House Speaker Nancy Pelosi to seriously consider several principles in any deal that the chamber passes, including injecting private capital and not taxpayer funds into the financial markets.

"If such consideration is not given, a large majority of Republicans cannot -- and will not -- support Secretary Paulson's plan," Boehner wrote to Pelosi on Friday.

The House Republicans' plan involves insuring all mortgage-backed securities instead of the current half that are now covered. Lawmakers say Treasury can charge premiums for holders of these assets to pay the insurance so the burden doesn't fall on the taxpayer.

Rep. John Campbell, a member of House Financial Services Committee, said the Republicans put together a plan because the plan proposed by Treasury Secretary Hank Paulson didn't have enough votes to pass.

"We had to do something," Campbell, R-Calif., said on Bloomberg TV.

On Friday, White House spokesman Dana Perino sought to dispel the impression that House Republicans were acting as deal-breakers.

Perino said she didn't think that the Republican mortgage insurance suggestion "would take over" the whole program.

It is important to get the deal done quickly, and Bush appreciates Senate Democratic Leader Harry Reid's statement that a deal could be finished before Wall Street opens on Monday, Perino said.

Wall Street fell sharply at the start of trading, then stabilized. Still, U.S. stocks traded broadly lower in recent action.

Pelosi: Republicans hold key to passage

House Speaker Nancy Pelosi said in a TV interview that any bailout plan now depends on Republicans in the House supporting the plan, which involves buying bad mortgage assets off of Wall Street firms' books.

Speaking at a press conference with Reid, Senate Banking Committee Chairman Christopher Dodd, D-Conn., insisted that curbs on executive pay and oversight of the plan were

"non-negotiable" if the package is to pass.

Dodd said a deal could still be reached but that Senate Democrats will balk at the Paulson plan if they are aware House Republicans aren't participating.

"We're getting there," Dodd said. "Let this be a clear warning: The president and his party have got to decide whether they want to be a part of this."

Friday morning, Sen. Richard Shelby, R-Ala., ranking member of the banking committee, said during a television interview: "I hope that we will not adopt the Paulson plan."

The deal hammered out by congressional leaders Thursday includes limits on executive compensation and oversight of the \$700 billion plan to bail out strapped markets and kick-start the flow of credit.

It also reportedly pays out the \$700 billion to buy up troubled assets from financial firms in installments. The Wall Street Journal reported that \$250 billion in bailout funds would be available immediately.

Debate to go on

Talks over the plan come as the first debate between presidential candidates Sens. John McCain and Barack Obama is scheduled to go ahead as planned Friday evening.

McCain, R-Ariz., agreed to join the debate late Friday morning after initially proposing to skip it so he could be in Washington to participate in congressional talks on the bailout.

Obama, D-Ill., insisted on going ahead with the debate as scheduled, saying presidents can focus on more than one thing at a time. Other Democrats said McCain's temporary suspension of his campaign to deal with the crisis was a hindrance to progress on the plan.

"The insertion of presidential politics has not been helpful," Reid told reporters. "It's been harmful."